

# Southeastern Wisconsin Foreign Trade Zone No. 41

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Presents:

## Foreign Trade Zone- Is It Right For You?

Duty and Fee Savings, Import/Export Advantages, and Improving Compliance

*Tuesday, February 5<sup>th</sup>, 2013*

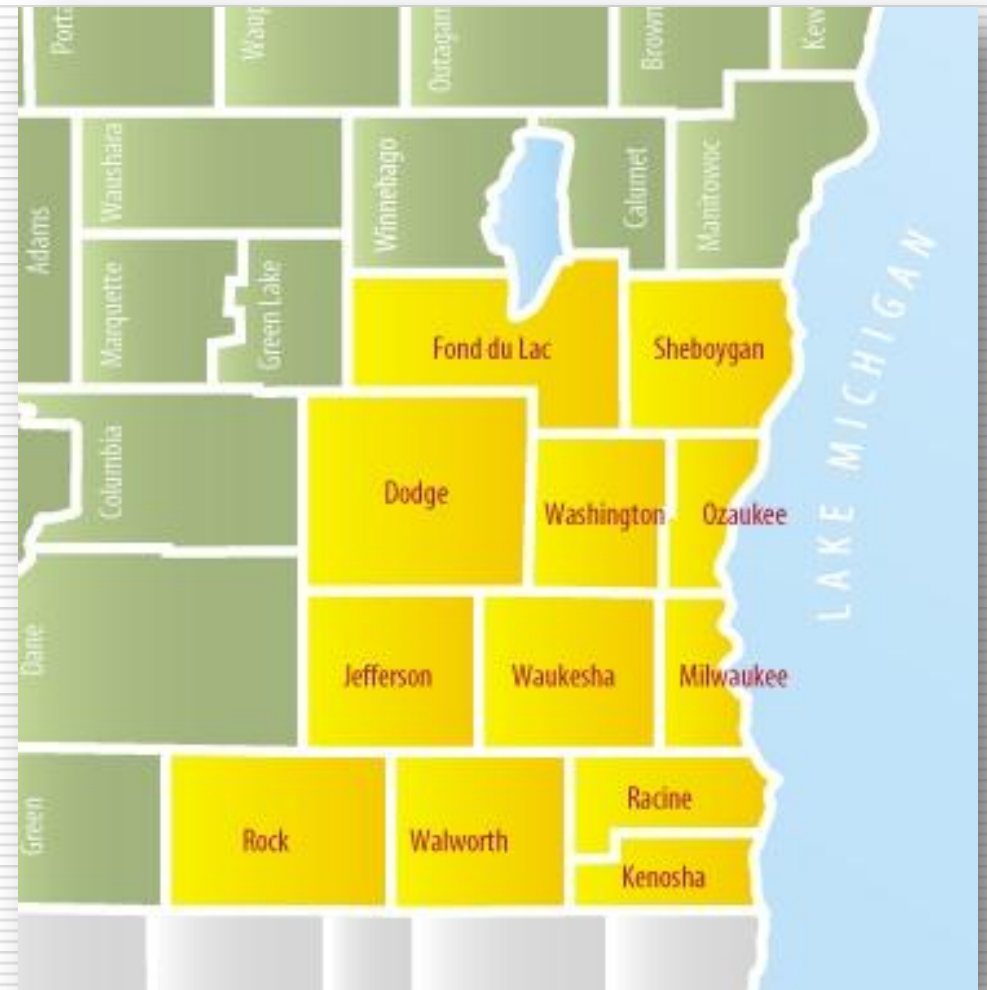
# Foreign Trade Zone #41

## *Service Area*

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### 12 Included Counties:

- Dodge
- Fond du Lac
- Jefferson
- Kenosha
- Milwaukee
- Ozaukee
- Racine
- Rock
- Sheboygan
- Walworth
- Washington
- Waukesha



**AIR**

**LAND**

**OCEAN**

# Foreign Trade Zone

**Reliable Worldwide Transportation everytime, anywhere!**



**BDG INTERNATIONAL, INC**  
**ESTABLISHED 1983**



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# **BDG International, Inc**

***Serving your international needs since 1983.***

***Welcomes you!***

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**Presenter:**

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# BDG International, Inc.

## Lisa Victoria Waller

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### Credentials:

Bachelors of Science- Illinois State University  
(International Business, emphasis of Eastern Studies)  
Licensed Customs Broker  
Certified Customs Specialist  
Certified Export Specialist  
IATA (International Air Transportation Association) Certified  
DG (Dangerous Goods) Certified  
Committee co-chair for Export Compliance of the CCBFA  
Active member of the NCBFFA



# Why become a FTZ in USA?

- ❑ Save big \$\$\$
- ❑ Flexibility on what to do with the product after it is imported
- ❑ Deferment of duties and taxes
- ❑ Tight control over inventory
- ❑ Elimination of duties and taxes
- ❑ Become more competitive
- ❑ Inverted tariff if manufacturing in USA
  - 4.5% to 0% (example)



# FOREIGN TRADE ZONE

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Foreign Trade Zone Act of 1934  
over 78 years in the making





# What we will discuss

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1. Discuss the era post 2009 Future of FTZ
2. What are the benefits?

# Post 2009

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Future of the FTZ

.. Because the incentives had to be better and the process to become a zone had to be easier.

# Jan 2009

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- The FTZ Board adopted the proposal to make what is called an Alternative Site Framework (ASF)
    - Designate and manage General purpose FTZ sites through re-organization
  - New changes:
    - Paperwork reduced to make the change
    - Process to change is simple compared to past
    - Local requests for becoming a FTZ
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# TYPES OF ZONES -

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- And there developed two distinct types of sites:
    - 1) single user locations and
    - 2) multiple users, often industrial parks. Now, under ASF, the Sites have been delineated as Magnet Sites (often multiple operators or industrial parks) and Usage-Driven Sites (single firms).
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# What does this really mean?

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- ❑ Any location within the FTZ under the ASF can utilize the Zone status.
  - ❑ Application process simple and quick
  - ❑ Cost is reduced compared to the Sub Zone
  - ❑ Need to prove “in public interest” is still important however not overbearing.
  - ❑ Small and Large companies can take advantage of this program and benefit
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What type of effect can a  
FTZ have on a community?

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# FTZ - Benefits

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Why become a zone?

# WEEKLY ENTRY

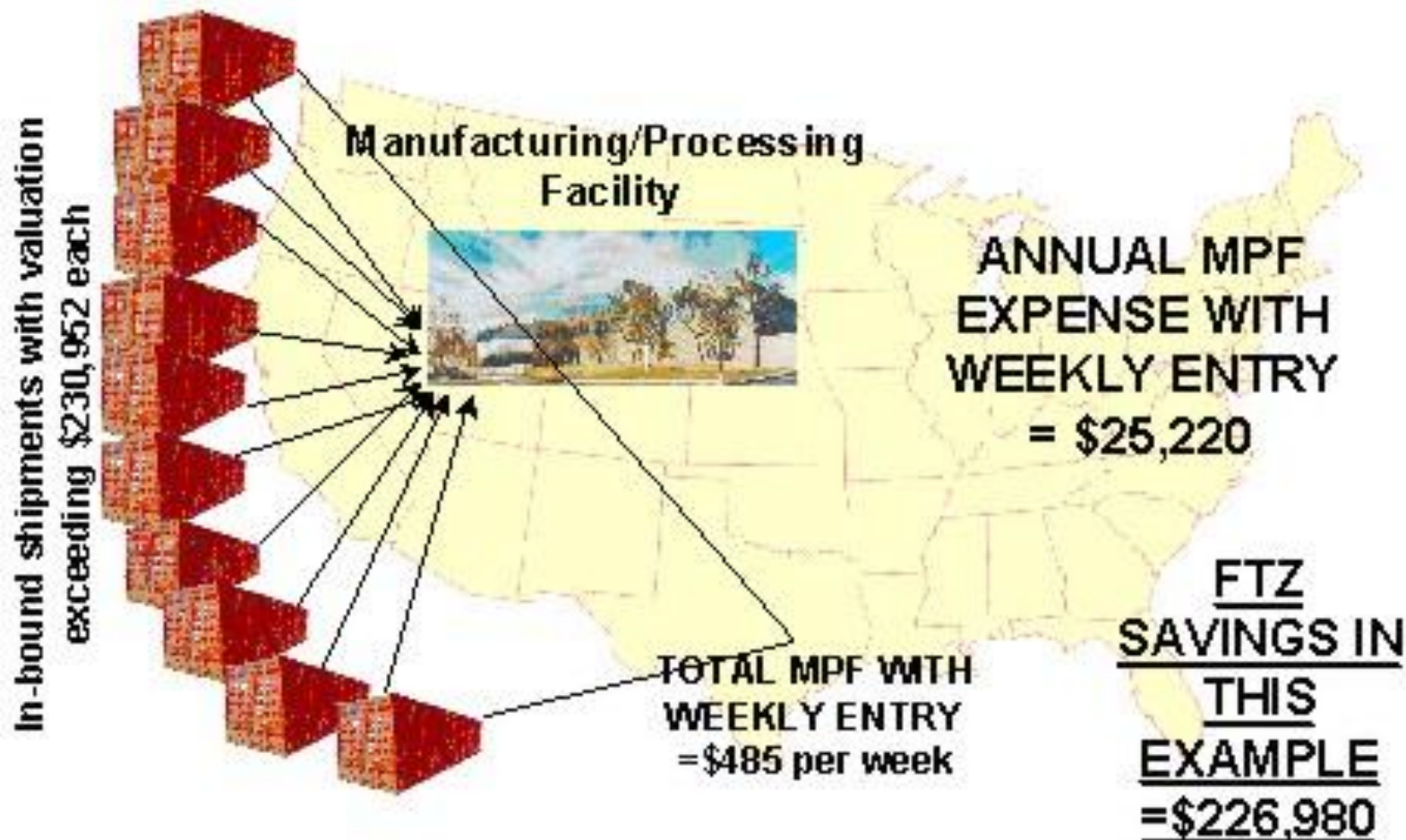
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- Under Weekly Entry/Export procedures, users file only one entry summary per week,
    - STANDARD ENTRY PROCESS:
      - ENTRIES per bill lading – transactional process
      - As a Zone they will have 52 entries per year – inventory method of Customs Entry
  - $1000 \text{ entries} \times \$100 = \$100,000$
  - $5000 \text{ entries} \times \$65 = \$325,000$ 
    - $\text{FTZ } 52 \text{ entries} \times \$100 = \$5200$
    - Savings: \$94,800 to \$319,800
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# TAXES – MPF

## WEEKLY ENTRY EXAMPLE OF MERCHANDISE PROCESSING FEE WITH A ZONE



# How does that work?

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■ \$.3464% / \$25 min / \$485 max

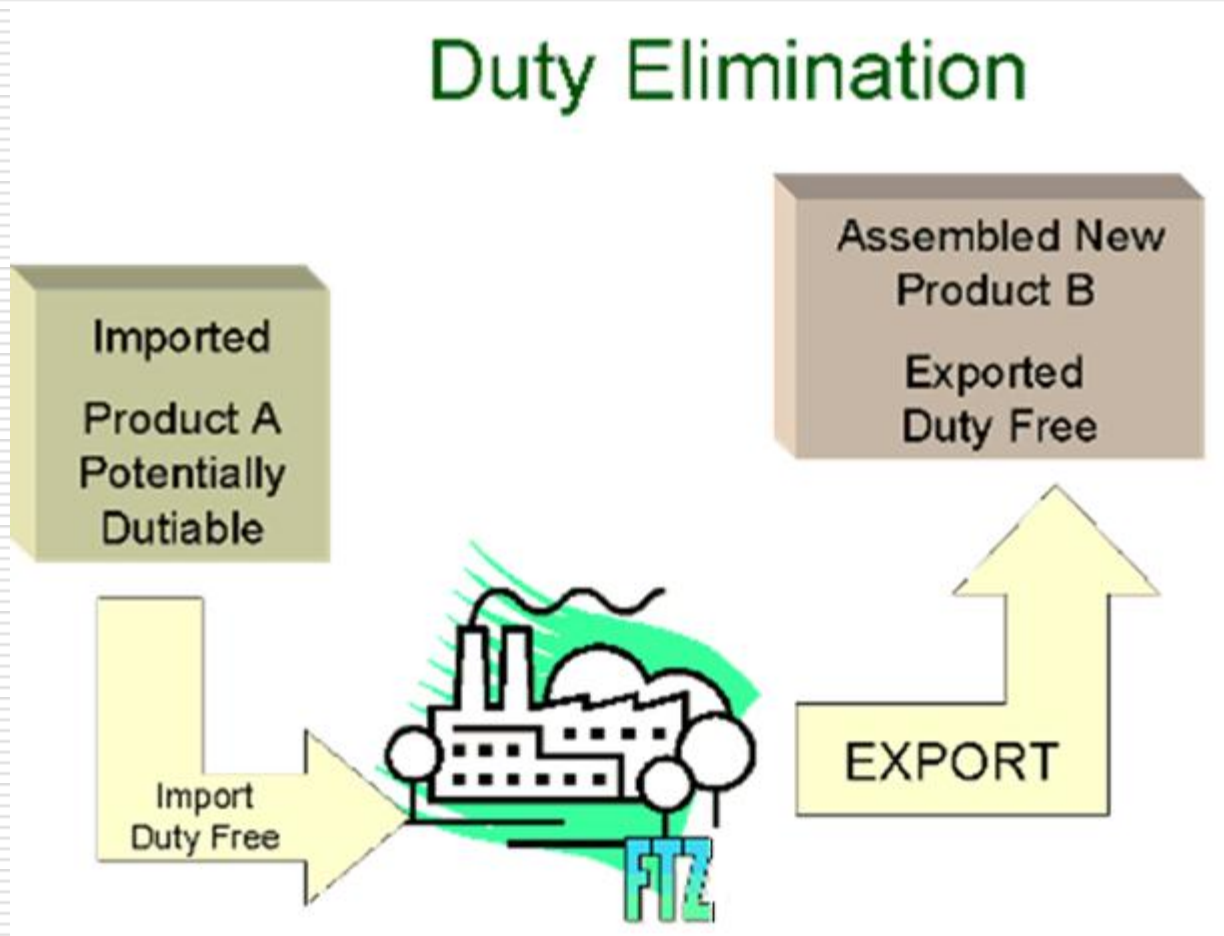
□ 2000 entries x \$25 = \$50,000

□ 52 entries x \$485 = 25,500

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# #1 MANUFACTURING BENEFIT:

## INVERTED U.S. CUSTOMS DUTY SAVINGS –



## **ANTIDUMPING/COUNTERVAILING DUTIES (upon approval)**

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- ☐ Use of an FTZ defers the payment of these duties until merchandise enters the U.S. Customs territory.
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# Deferred Duties

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- ❑ Inbound cargo into the Zone will not clear Customs it will “Enter in” into the Zone
  - ❑ The cargo will only clear customs on the “Entry Out”
    - Duties are deferred until inventory leaves the warehouse into the market place
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# Export Cargo

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- ❑ Export cargo does not clear customs
    - No Duties are paid – no Drawback required
    - Benefits for ADD /CVD: recovery of these duties for ADD / CVD is not available under the drawback law.
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# Destroyed Cargo

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- ❑ Destroyed Cargo does not clear customs
    - A destruction CF 216 certificate is provided, no Duties are paid – no Drawback required
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# Inventory

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- ☐ Maintain your inventory in the Zone as long as you deem necessary.
  - ☐ There are no time limits
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# Unsold cargo

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- Unsold Cargo does not clear customs
  - Unsold cargo may remain in the Zone
    - no expiry

# Control

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- ❑ **QUALITY CONTROL -**  
The FTZ may be used for quality control inspections to ensure that only merchandise that meets specifications is imported and duty paid. All other materials may be repaired, returned to the foreign vendor, or destroyed.
  - ❑ **INVENTORY CONTROL -**  
Operations in an FTZ require careful accounting of receipt, processing, manufacturing, and shipment of merchandise. Firms have found that the increased accountability reduces inventory error, receiving and shipping concerns, and waste and scrap.
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## **COUNTRY-OF-ORIGIN MARKING/LABELING**

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- ☐ No country-of-origin labels are required on merchandise admitted to the FTZ.
  - ☐ Merchandise shipped into U.S. Customs territory must have appropriate origin labeling which will vary depending on the circumstances.
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# Other savings and benefits

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BENEFITS GOOD FOR ALL COMPANIES

## ☐ **FDA COMPLIANCE**

- Delay FDA entries
- Inspect your own cargo to ensure FDA compliance prior to entering into the Market Place
- Obtain authorization from FDA in advance of adding the product to the FDA approved list

## ☐ **CPSA COMPLIANCE**

- Delay CPSA entries
  - Inspect your own cargo to ensure compliance
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# U.S Quota

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- ❑ Most merchandise may be held in an FTZ, even it is subject to U.S. quota restriction.
  - ❑ When the quota opens, the merchandise may be immediately shipped into U.S. Customs territory.
  - ❑ Voluntary restraint and orderly marketing agreements are not impacted by FTZ use.
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# International Returns

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- ❑ A number of firms that export have a percentage of the exports returned to the United States.
  - ❑ U.S. Customs duties are owed each time merchandise of foreign origin that has not been registered with U.S. Customs is returned.
  - ❑ American Goods Returned merchandise can be verified. By being returned and admitted to an FTZ, no U.S. Customs duties are paid upon return.
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# Spare Parts

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- ❑ To service many products, spare parts must be on hand in the United States for prompt shipment.
  - ❑ However, it is impossible for most firms to know the requirements for spare parts, especially with new products.
  - ❑ Spare parts may be held in the FTZ without U.S. Customs duty payment, generating cash flow savings. Obsolete parts may be destroyed without duty payment.
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# Can I transfer cargo?

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Yes !!



# ZONE-TO-ZONE TRANSFER

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- ❑ Significant benefits accrue to the in-bond transfer of merchandise from one zone or subzone to another for distribution or manufacture without U.S. Customs duty payment.
  - ❑ A network of zone projects provides opportunities to reduce or eliminate duties.
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# TEMPORARY REMOVAL PROCEDURE

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- ☐ Merchandise may be removed from an FTZ into the U.S. Customs territory for certain activities and returned to the FTZ without U.S. Customs duty payment.
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# INSURANCE COSTS -

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- ❑ The insurable value of merchandise held in an FTZ need not include the U.S. Customs duty payment.
  - ❑ At a later date the merchandise may be imported or exported.
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# How do I get started?

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- ❑ Obtain a Feasibility Analysis
  - ❑ Discuss your cost of Quality Control
  - ❑ Discuss the regulations you are – not completely following
  - ❑ Discuss your potential for new markets
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# What systems do we need to be a zone?

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# Your ERP system can flat file to a FTZ provider

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## ☐ CF 214

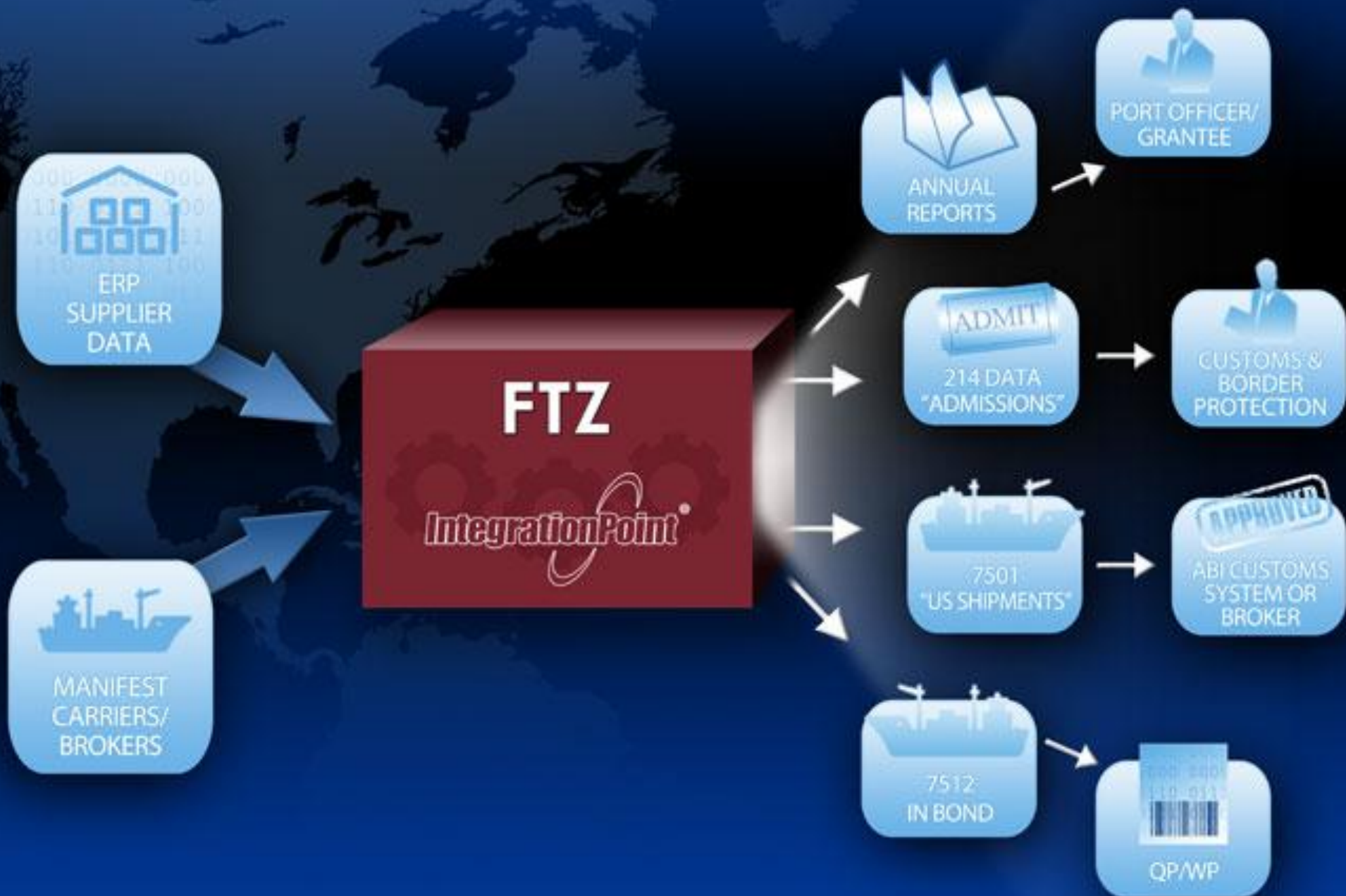
- Incoming inventory

## ☐ CF 216

- Destruction inventory

## ☐ CF 7501

- Customs entry
  - Flat file of the outgoing inventory
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Are my competitor looking  
at FTZ ?

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# Not yet ready – we will look at it next year

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- If numbers are good – there is no reason to wait. The costs will outweigh the benefits.
  - Look at the benefits anyhow to allow for proper planning
    - Planning location of company, planning computer systems, setting up for export, utilizing all Customs programs available.
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# Advise, Audit and Planning

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## ☐ Develop your compliance program

- Classification of merchandise
  - Valuation of merchandise
  - Country of origin Markings
  - Export licensing issues
  - Export licensing exemption
  - Deemed Exports
  - Embargoed country issues
  - Compliance and Training
  - FTZ development
  - Inter company Best Practices for International Trade
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Thank you for attending today's  
seminar!!

# William Braun

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*Service Port Director*

United States Department of Homeland Security  
Customs & Border Protection



# Mercury Marine

a Division of Brunswick Corporation

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# FTZ Operator Role

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- ❑ The FTZ Operator is responsible for the overall administration and compliance for the Foreign Trade Zone Program.
  - ❑ Emphasis is on timely and accurately completion of FTZ processes and submission of all required Customs and Border Protection (CBP) forms, commercial documentation review and compliance with all Foreign Trade Zone Regulations.
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# Responsibilities

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- ❑ Preparation and submission of FTZ related customs forms, annual reports and all other supporting documentation to ensure adherence to all government regulations.
  - ❑ Responsible for all compliance activities with regards to customs regulations and the operation of a foreign trade zone environment.
  - ❑ The FTZ Operator will work directly with US Customs to coordinate all issues relating to the use of FTZ for Inbound foreign goods.
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# Responsibilities

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- ❑ The daily activities will include inventory control processes including reconciliation and verification of all inventory movement, auditing procedures, and verification of all files for accuracy.
  - ❑ Monthly review of SOP to assure that all process documentation is current and presentable.
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# Key Relationships

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- ❑ Internal: Warehouse Operations, Inventory Control, Inbound /Outbound Traffic, Export, Finance, US Customs Classification, Security and Vendor Compliance.
  - ❑ External: FTZ software provider, Customs Broker and US Customs.
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# Knowledge Skills and Abilities


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- ❑ The FTZ Operator must have working knowledge of Imports, Exports, US Customs Brokerage, US Customs Classification, Inventory Control Systems, Warehousing and Logistics Activities.
  - ❑ Strong practical knowledge of the US Foreign Trade Zone Program, customs compliance and best practices.
  - ❑ Self-motivated, engaged and positive team player with excellent communication and interpersonal skills.
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# Knowledge Skills and Abilities

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- ❑ As an FTZ Operator you must have the ability to work in a fast paced environment and meet daily deadlines with a high degree of accuracy.
  - ❑ Work well under pressure with exceptional attention to detail.
  - ❑ Ability to define problems collects data, establish facts and draw valid conclusions.
  - ❑ Ability to read, analyze and interpret governmental regulations.
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Thank You!!



## Foreign Trade Zone #41: *General Purpose Site #11*



## Merchandise Entered into a General Purpose Zone May Be:

- ✓ Assembled
- ✓ Calibrated
- ✓ Cleaned
- ✓ Consolidated
- ✓ Destroyed
- ✓ Distributed
- ✓ Kitted
- ✓ Manipulated
- ✓ Manufactured\*
- ✓ Processed\*
- ✓ Relabeled
- ✓ Repackaged
- ✓ Repaired
- ✓ Salvaged
- ✓ Sampled
- ✓ Stored
- ✓ Tested

*\*The user must receive special approval from the FTZ Board for manufacturing and certain types of processing.*

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